

Slide 1



Cape Air is a successful example of how to provide community air service...

- responsive to local O&D needs and regional transportation picture
- independence means service is driven by community demand not code sharing partners --and opportunities to partner with more than one airline
- reasonable fare structure
- fleet flexibility
- service orientation
- emphasis on training and safety
- strong community relations



Changes in regulation can unintentionally threaten community air service...

- federal aviation tax formula
- peak period pricing and other demand management programs
- increases in PFC's

New policies need to strengthen community air service...

- Relief from the per passenger segment charge portion of the federal aviation tax
- Adoption of a perimeter rule or alternate exemption within demand management programs
- Limited use of PFC's

Slide 5

Cape Air 1989 - 2000

Cape Air
NANTUCKET
AIRLINES

Our niche: linking remote communities with the national air transportation network

- Geographic constraints limit travel alternatives
- Short-distance routes - less than 150 miles
- Year-round demand with seasonal peaks means larger aircraft are not economical



1989



Cape Air
NANTUCKET
AIRLINES

1990



Cape Air
NANTUCKET
AIRLINES

1991



Cape Air
NANTUCKET
AIRLINES

1992

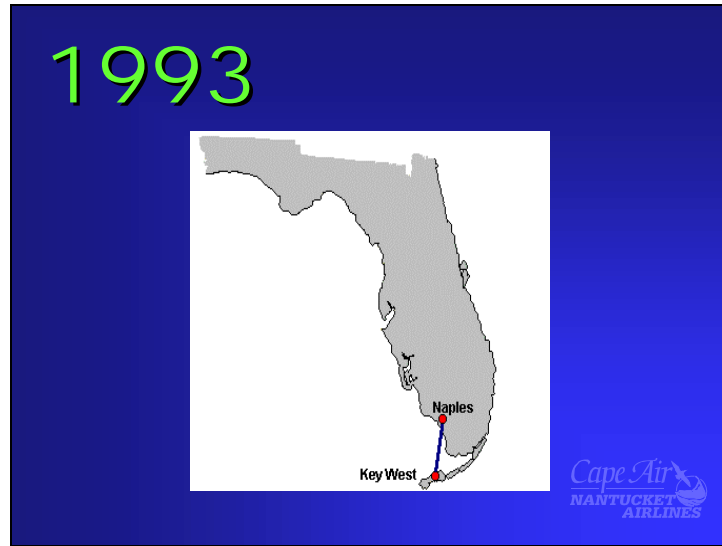


Cape Air
NANTUCKET
AIRLINES

1993



Cape Air
NANTUCKET
AIRLINES

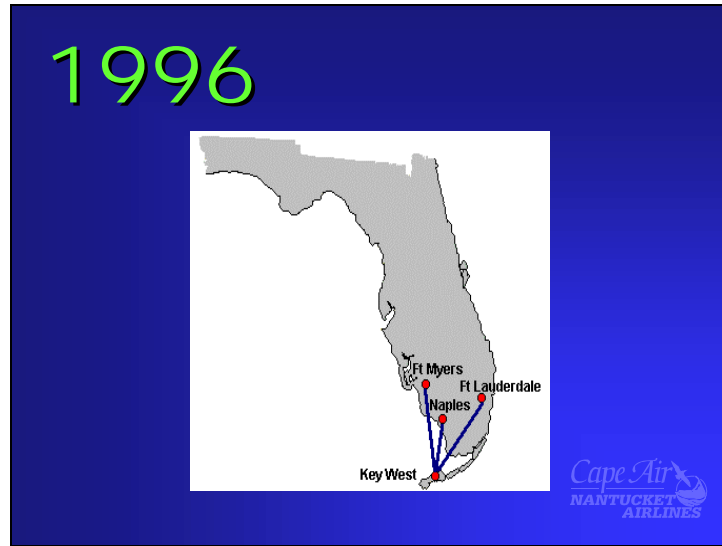


1994



Cape Air
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Operated by Nantucket Airlines



1997



Cape Air
NANTUCKET
AIRLINES

1998



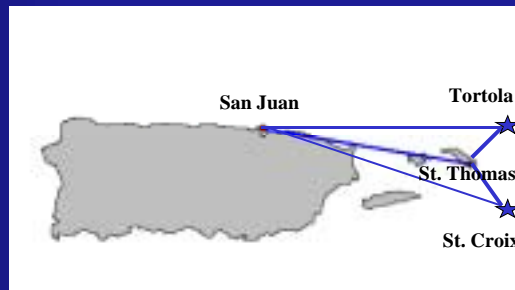
Cape Air
NANTUCKET
AIRLINES

1998

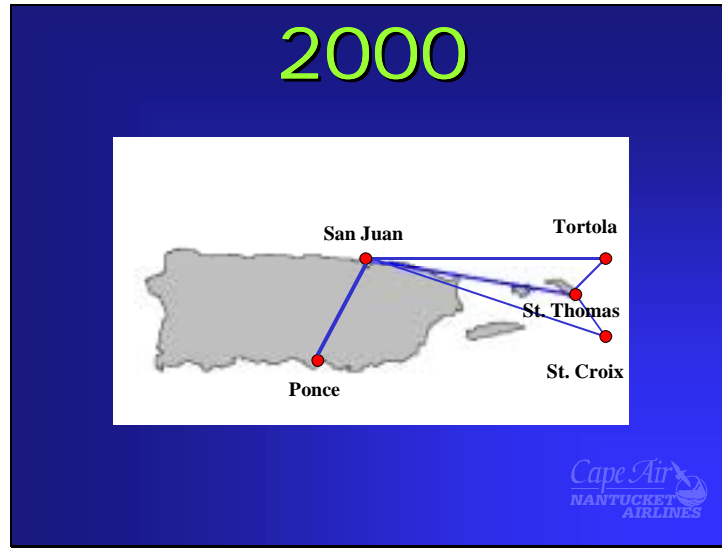


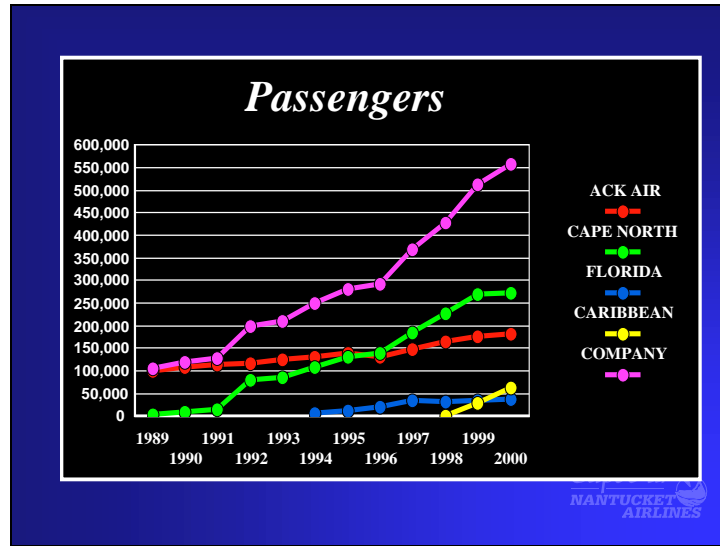
Cape Air
NANTUCKET
AIRLINES

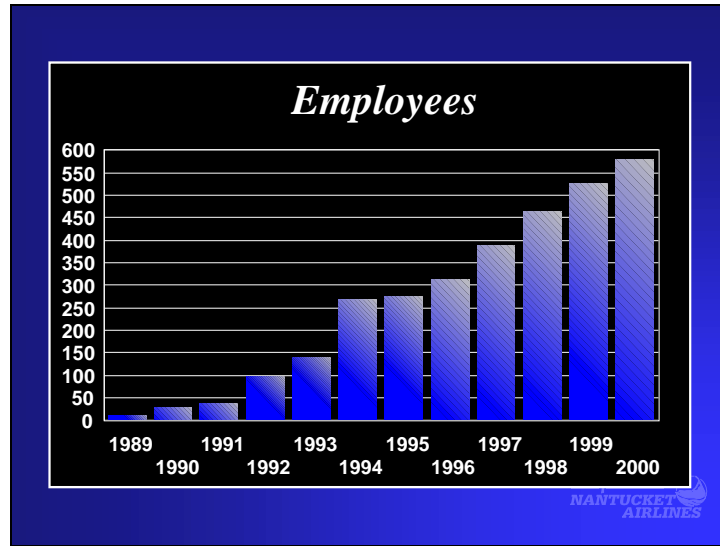
Fall/Winter 1999



Cape Air
NANTUCKET
AIRLINES









Changes 1989 - 2000

Industry changes further isolated community air service providers...

- assimilation of small carriers by majors
- phasing out of 19-36 seat aircraft
- increased reliance on regional jets

Policies aimed at industry trends created economic disincentives...

- aviation tax formula
- demand management programs
- increased PFC's



Aviation Excise Tax

- Average per passenger tax on Cape Air's busiest route will increase 81% by 2003; tax will amount to 18% of ticket price
- Commuters who make up 40% of Cape Air's passengers will pay on average \$23 more per week
- Tax formula is "user-based", however short flights do not use ATC centers, rarely use departure or arrival control, and operate VFR most times



Aviation Excise Tax

Policy Option:
Alter rural airports definition to capture
isolated communities



Peak Period Pricing

- Peak period pricing has a disproportionate economic impact on short distance carriers and can lead to elimination of community air service
- Loss of community air service has negative economic and environmental impacts
- Community air service providers often do not contribute to delays:
 - shorter runway service times
 - use of alternate runway configurations
 - ability to plug holes in airfield and airspace utilization



Peak Period Pricing

Policy Option:

Preserve community air service by
exempting flights within a reasonable
perimeter



PFC's

A fixed PFC has a greater impact on a short distance flight. Consider the total impact of PFC's and taxes on a \$30 fare and a \$300 fare):

Fare:	\$30.00 (%fare)	\$300.00 (%fare)
Tax:	5.25 (18%)	25.50 (8.5%)
PFC:	4.50 (15%)	4.50 (2%)
T:	\$39.75	\$330.00
(Tax + PFC = 25% T)		(Tax + PFC = 9% T)



PFC's

Policy Option:

Work with airport commissions to identify alternate sources of revenue (e.g., rents, concessions, parking) and reasonable project financing terms.

Summary

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There are opportunities to expand community air service if you are responsive to community demand.

Increased awareness and creative responses are needed to ensure that board policies do not businesses' ability to serve this niche market

